

YAZOO COUNTY

Management's Discussion and Analysis For the Year Ended September 30, 2003

INTRODUCTION

The discussion and analysis of Yazoo County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County elected not to present comparative data.

Yazoo County is located on the Yazoo River in central Mississippi on Highway 49 approximately 45 miles north of Jackson. The population, according to the 2000 Census, is 27,809. The local economic base is driven mainly by Manufacturing and the Farming Industry. Mississippi Chemical is the leading industry. The Yazoo Port facility is one of the busiest in the state in terms of tonnage shipped.

FINANCIAL HIGHLIGHTS

Yazoo County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Yazoo County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. This does not include School tax increases.

Total net assets decreased \$2,454,570, due primarily to a charge of \$4,184,028 for depreciation expense on capital assets. Before this charge, net assets increased by \$1,729,458. The County's ending cash balance decreased by \$60,970, which represents a 2.8% decrease from the prior fiscal year.

The County had \$10,863,004 in total revenues in its governmental funds. Tax revenues account for \$7,371,013 or 68% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$2,220,392 or 20% of total revenues.

The County had \$16,218,006 in total expenses, which represents an increase of \$4,446,846 or 38% increase from the prior fiscal year. Most of this increase was due to the early redemption of two bond issues totaling \$5,160,000. This additional cost was offset by the issuance of new bonds totaling \$5,485,000 and other financing sources. General revenues of \$10,863,004 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$6,184,530 in revenues and \$11,240,680 in expenditures. The General Fund's fund balance increased \$404,283 over the prior year.

Among major funds, the General County Road Fund had \$2,312,751 in total revenue and \$2,443,992 in expenditures. The General County Road Fund's fund balance decreased by \$101,673 over the prior year.

Among major funds, the Capital Improvements Fund had \$9,471 in total revenues and \$225,724 in expenditures. The Countywide Road & Bridge Fund decreased by \$216,253 under the prior year.

Capital assets, net of accumulated depreciation, decreased by \$3,421,988. This change was due to depreciation on all capital assets.

Long-term debt decreased by \$658,009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

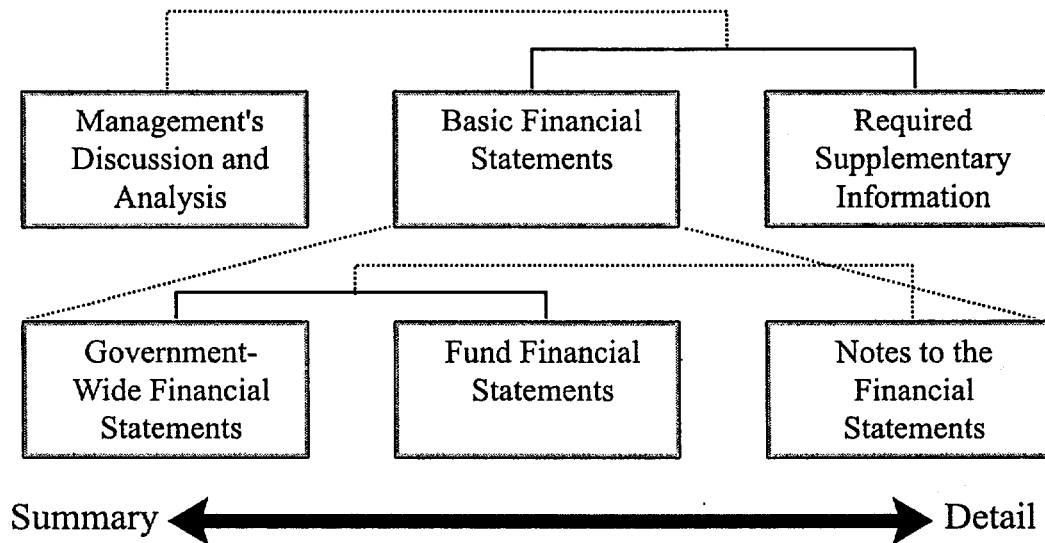


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statement distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long term debt.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statement provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. .

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets - Net assets may serve over time as a useful indicator of government's financial position. In the case of Yazoo County, assets exceeded liabilities by \$75,606,473 as of September 30, 2003.

By far, the largest portion of the County's net assets (99%) reflects its investment in capital assets, (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, and leased property under capital lease) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2003.

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

	Governmental Activities
Current assets	\$ 10,045,557
Capital assets, net	<u>89,703,096</u>
Total assets	<u>\$ 99,748,653</u>
Current liabilities	\$ 8,155,355
Long-term debt outstanding	<u>15,986,825</u>
Total liabilities	<u>\$ 24,142,180</u>
Net assets	
Invested in capital assets, net of related debt	\$ 74,859,848
Restricted	(1,017,382)
Unrestricted	<u>1,764,007</u>
Total net assets	<u>\$ 75,606,473</u>

- Roads and Bridges were added to the County's inventory, due to accounting changes implemented by the "Government Accounting Standards Board". This resulted in an additional \$108,088,397 of capital assets being booked for the first time in the 2003 fiscal year.

Changes in Net Assets - Yazoo County's total revenues for the fiscal year ended September 30, 2003 was \$11,419,230. The total cost for all services provided was \$13,873,800. The decrease in net assets was \$2,454,570. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	Amount
Program revenues	
Charges for services	\$ 655,264
State and Federal grants	1,117,945
Capital grants and contributions	727,622
General revenues	
Property taxes	7,437,359
Fines and fees	879,216
Road and bridge privilege tax	258,847
Interest	95,032
Other	247,945
Total Revenue	<u>\$ 11,419,230</u>
Expenses:	
General government	\$ 3,720,942
Public safety	2,041,091
Public works	6,747,619
Health and welfare	189,358
Culture and recreation	45,667
Education	155,000
Conservation of natural resources	117,342
Economic development	51,045
Other expenses	805,736
Total Expenses	<u>\$ 13,873,800</u>
Decrease in net assets	<u>\$ -2,454,570</u>

Governmental Activities - The following table presents the cost of seven major functional activities of the County: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Education, Conservation of Natural Resources and Economic Development.

	Total Costs	Net Costs
General government	\$ 3,720,942	\$ 3,194,975
Public safety	2,041,091	1,801,938
Public works	6,747,619	5,047,145
Health and welfare	189,358	154,121
Culture and recreation	45,667	45,667
Education	155,000	155,000
Conservation of natural resources	117,342	117,342
Economic development	51,045	51,045
Other expenses	805,736	805,736

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds - At the close of the fiscal year, Yazoo County's governmental funds reported a combined fund balance of \$1,685,581, an increase of \$134,929.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$404,283. This increase was primarily due to the increase in bond debt.

BUDGETARY HIGHLIGHTS (of General Fund and Major Funds only)

Over the course of the year, Yazoo County revised its annual operating budget on several occasions. Budget amendments are explained as follows:

- Amendments were made to transfer money from the fund from which expenditures were paid to funds where the expenditures were actually budgeted. Additionally, changes were made to reflect the early redemption of bonds and the issuance of new bonds.

Even with these adjustments, actual disbursements were below original budget amounts by \$212,898.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2003, Yazoo County's total capital assets were \$122,178,155. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease.

Total accumulated depreciation as of September 30, 2003 was \$32,475,059, including \$4,184,028 of depreciation expense for the year. The balance in total net capital assets was \$89,703,096 at year-end.

Additional information on Yazoo County's capital assets can be found in "Notes to Financial Statements" of this report.

Debt Administration - On September 30, 2003, Yazoo County had \$15,986,825 long-term debt outstanding. This includes general obligation bonds, limited obligation bonds and obligations under capital lease. Of this debt \$1,101,663 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of the total assessed value. The County's outstanding debt is significantly below its current limit of 25.6 million dollars.

Additional information on Yazoo County's long-term debt can be found in "Notes to Financial Statements" of this report.

CURRENT/FUTURE ITEMS OF IMPACT

Mississippi Chemical, the County's largest industry, is emerging from bankruptcy and is rapidly increasing output as well as employment. In addition, the federal prison located in the county is expanding which will increase employment by an estimated 350 employees. This increase in employment brings revenue into the county through payroll, even though they are not currently paying taxes. This will make a significant impact on income from payroll in the county.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's /Chancery Clerk's Office at P. O. Box 68, Yazoo City, Mississippi 39194